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# FISCAL POLICIES PROCEDURES

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## PRIOR YEAR ADJUSTMENTS

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### PRIOR YEAR FINANCIAL REPORTING ADJUSTMENT

If an error affecting key statewide balances is identified and the error exceeds the limitations of the prior year adjustment statute, and the adjustment must be recorded for state controller financial reporting purposes, the Controller will need to contact JFAC co-chairs with the proposed adjustment(s) to seek their interim approval for the adjustment.

If approval from JFAC is granted, the adjustment will be recorded for financial reporting purposes. The adjustments will be presented to JFAC and the legislature during the next legislative session for legislative approval. After approval, the adjustments should be recorded in STARS. If legislative approval is not granted, the implications to financial statements and/or audit opinions will have to be deliberated and discussed between the Controller, Auditor, and legislative leadership.

Each year a number of financial reporting adjustments are typically made that exceed the limitations of *Idaho Code*, Section 67-3604, but do not affect key statewide balances. For example, various transactions related to fixed assets are recorded, yet these transactions do not impact key statewide balances. These types of financial reporting adjustments are not subject to legislative review and approval.

See the Prior Year Adjustments Chapter in the STARS User Manual or contact the Division of Statewide Accounting for assistance.

### PRIOR YEAR ACCOUNTING ADJUSTMENTS

If an error affecting key statewide balances is identified and the error exceeds the limitations of the prior year adjustment statute, and the adjustment should be recorded (but is not required for financial reporting purposes due to immateriality), this adjustment should be presented to JFAC.

For example, if interest allocation to a fund is missed for a number of years, depending on sources and uses, an adjustment may be appropriate. If fund excesses go to the general fund (since missed interest would have gone to the general fund) an adjustment may not be warranted. But if fund excesses stay in the fund resulting in, for example a possible adjustment to regulatory fees, the adjustment would probably be warranted in order to remain accountable to the regulated parties/stakeholders in the fund.

Prior year accounting adjustments may also affect key statewide balances, yet not exceed the limitations of the prior year adjustment statute. These adjustments may be recorded without legislative review and approval. Adjustments of this nature should be used only in situations of legitimate, unforeseen errors, and not as a substitute for proper year-end encumbrance processing or as a way to achieve a general carry forward of prior year appropriations. Prior year adjustments should be reviewed and approved by the Divisions of Financial Management and the State Controller's Office (Deputy Controller, Division of Statewide Accounting).

See the Prior Year Adjustments Chapter in the STARS User Manual or send an e-mail to [dsahelp@scs.idaho.gov](mailto:dsahelp@scs.idaho.gov) for assistance.

## **PRIOR YEAR REVENUE ADJUSTMENTS**

Revenue adjustments should be treated as expenditure adjustments as outlined in the sections above. Revenue adjustments will not generally impact appropriation balances, but may still impact cash in a statutorily defined fund. In addition to the above requirements for JFAC notification/approval, the Administrator of the Division of Financial Management should be notified of significant revenue adjustments, so that appropriate economic forecasting adjustments can be made.

See the Prior Year Adjustments Chapter in the STARS User Manual or send an e-mail to [dsahelp@scs.idaho.gov](mailto:dsahelp@scs.idaho.gov) for assistance.

## **PRIOR YEAR AGENCY INTERNAL ADJUSTMENTS**

If an error affecting only agency internal balances is identified, adjustments may be recorded by agency fiscal personnel without notification to state budgetary or accounting personnel. These adjustments are considered agency reporting adjustments and are not subject to the provisions of *Idaho Code*, Section 67-3604. If you have questions whether you are adjusting an agency internal balance or a key statewide balance, contact the State Controller's Office.

See the Prior Year Adjustments Chapter in the STARS User Manual or send an e-mail to [dsahelp@scs.idaho.gov](mailto:dsahelp@scs.idaho.gov) for assistance.